Remarks

This paper is response to the Office action mailed May 31, 2005. That action explicitly acknowledged that an Applicants' response dated March 28, 2005 "is sufficient to overcome the Wong reference", which was the only reference applied against the claims in the prior January 4, 2005 Office action.

As has already been noted, the one thing Applicants' system has in common with known prior art systems is that the system includes a back-end or central computer that includes a database for storing loyalty program rules and user data.

As has also already been noted, Applicants' system differs from known prior art systems in at least two ways. First, Applicants' system includes at least one front-end computer that also contains a database for storing the loyalty program rules and user data as well as a spreadsheet engine for processing user transaction data in accordance with the loyalty program rules stored in the front-end computer. Second, Applicants' system includes a communications link for maintaining synchronization between the loyalty program rules stored in the back-end computer and the front-end computer.

The *Wong* patent discloses a system for customer loyalty and marketing analysis. In the *Wong* system, customer loyalty information is described only as being stored in a central data warehouse. See Column 2, lines 3-15, of the *Wong* specification where it is stated:

> "... *the system keeps track of customer frequency award points in order to encourage customers to participate in the system. A mechanism is provided for customers to directly interact with this customer loyalty system .... According to one embodiment, this interface is provided via the World Wide Web over the*

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*Internet wherein customers are allowed to interact directly with aspects of the
data warehouse...."*

Notwithstanding the "According to one embodiment" language, there is nothing in the
Wong specification to suggest that a customer may interact with the customer loyalty system in
any way other than over an interface "provided via the World Wed Web over the Internet".

While the *Wong* specification does indicate that a point of sale system may include a local
database, the only function that database appears to be used for is to identify the customer. See
Wong, column 1, lines 31-42)

The prior office Office action expressly admitted that *Wong* lacked any showing of "a
front-end computer having a second database for storing loyalty rules and ... a spreadsheet engine
for processing user transaction data in accordance with the loyalty rules" or of a "communication
link ... for synchronization...." of databases. The current Office action expressly acknowledged
theWong reference had been overcome but then cited US Patent 6,889,198 - Kawan as purported
overcoming Wong's deficiences.

What the Kawan patent actually shows is the use of a so-called smart card to store a
customer loyalty program application resident on the smart card microcomputer. See Col 2, lines
19-22 for just one of the many Kawan references that makes it clear the loyalty program
application is resident on a smart card carried by a customer, not on a point-of-sale or merchant
terminal with which the smart card may be used.

The Kawan reference clearly does not teach including a front-end computer device in a
point-of-sale terminal to provide point-of-sale customer loyalty program processing capability.
Numerous references in the Kawan specification make it clear the loyalty program application is
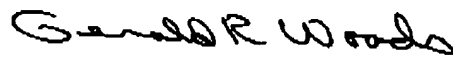
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resident only on the smart card, not on a front end computer integrated into a point of sale terminal.

The Office states that the Kawan specification "discloses that loyalty rules on front end or updated from and synchronized with the back end and that the front end rules are utilized for processing transactions at the POS terminal." That statement, while possibly technically accurate, is misleading since it implies that the "front end" in the Kawan system is integrated into a point of sale terminal. In fact, the Kawan "front end" is the loyalty application that is resident only on a smart card, not on a merchant terminal which might read that card.

Each of the remaining claims in the subject application is now amended to make it clear that the front-end computer device which provides point-of-sale loyalty program functionality is an integral part of a point of sale terminal. That teaching is something that cannot be found in either Wong or Kawan or in any hypothetical combination of Wong and Kawan. Claim 2 has been canceled

It is submitted that claims 1 and 3-10, as amended clearly distinguish over *Wong, Kawan* or any hypothetical combination of the two. The rejection of the claims should be withdrawn.

Respectfully Submitted,

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